

**GOVERNMENT OF INDIA
POWER
LOK SABHA**

UNSTARRED QUESTION NO:25

ANSWERED ON:13.02.2009

CAPITAL INVESTMENT BY POWER COMPANIES

Chinta Mohan Dr. ;Suman Shri Ramji Lal

Will the Minister of POWER be pleased to state:

(a) whether the Central Electricity Regulatory Commission has taken a decision to permit the power generation companies to earn 15.5 per cent profit on their capital investment;

(b) if so, the details thereof; and

(c) the reaction of the Government thereto?

Answer

THE MINISTER OF STATE IN THE DEPARTMENT OF COMMERCE, MINISTRY OF COMMERCE & INDUSTRY AND MINISTER OF STATE IN THE MINISTRY OF POWER(SHRI JAIRAM RAMESH)

(a) to (c) : Electricity is a concurrent subject. The appropriate Electricity Regulatory Commission shall, subject to the provisions of the Electricity Act, 2003, (Act) specify the terms and conditions for the determination of tariff, and in doing so, shall be guided by the provisions of section 61 of the Act, including the National Electricity Policy and Tariff Policy. The Tariff Policy cast the duty of notifying the rate of return on equity on the Central Electricity Regulatory Commission (CERC).

Para 5.3 (a) of the Tariff Policy notified by Government of India provides that the Central Electricity Regulatory Commission would notify from time to time the rate of return on equity for generation and transmission projects keeping in view the assessment of overall risk and the prevalent cost of capital.

The CERC has issued Regulations on Terms and Conditions of Tariff for the year 2009-2014 to be effective from 1.4.2009. Regulation 15 (copy of relevant part enclosed at Annex) provides that Return on equity shall be computed on pre-tax basis at the base rate of 15.5%. It also provides that in case of projects commissioned on or after 1st April, 2009, an additional return of 0.5% shall be allowed if such projects are completed within the timeline and this shall not be admissible if the project is not completed within the timeline specified for reasons whatsoever.